



**FINANCIAL RATIO ANALYSIS-DETERMINANT OF
PROFITABILITY IN MALAYSIA PHARMACEUTICAL
INDUSTRY**

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JUNE 2016

ACKNOWLEDGEMENT

Alhamdulillah and praise to Allah S.W.T for his blessing and empowering me to succeed in completing this project paper. Indeed, without His Gracious and Merciful this project paper may be not completed on time. Special thanks to my research advisor Prof Madya Hj. Abdullah bin Abd Latib for the guidance, supervision and support. His constructive comments and suggestions really assist in completing this project paper titled “Financial Ratio Analysis as Determinant of Profitability in Malaysia Pharmaceutical Industry”. In addition, thanks to En. Syamsul Samsudin for always gives me guidelines in order to score for this final project.

Moreover, I would like to extend this appreciation to everyone that involved directly and indirectly towards completing this research paper because it would be possible without them. I would also like to thanks to all librarian in Universiti Teknologi MARA, Segamat for their cooperation and guidance in providing the information needed. Lastly, special appreciation to my parents and friends that always gives support, assistance and critics in finishing this project paper.

Thank you.

ABSTRACT

Financial ratio analysis is a crucial one in determining profitability of a company since it directly affected by such decision. The study aims to examine the relationship between the financial ratio analysis and profitability of the Malaysia Pharmaceutical industry over the past 10 years period from 2005 to 2014. Four companies are selected include Apex Healthcare, Duopharma, Pharmaniaga Berhad and Kotra Pharma. Through this financial ratio analysis it helps the organizations in improving their company's revenue as well as minimization the cost. The researcher used five variables for the research which are Inventory Turnover (ITO), Total Asset Turnover (TATO), Account Receivable Turnover (ARTO), and Account Payable Turnover (APTO) as independent variables. For dependent variable Gross Profit Margin (GPM) is used to measure the profitability since there is none of the studies used gross profit margin with multi regression approach to determine the profitability Parveen, (2015). Secondary data were obtained from Data Stream and annual report of selected pharmaceutical companies. The data have been analysed by using descriptive statistical analysis and multiple linear regression model to find out the relationship between the variable. The result showed that there are negative relationship between inventory turnover ratio and account receivable turnover ratio with profitability of Malaysian pharmaceutical industry. It also revealed that total asset turnover ratio and account payable turnover ratio have no significant relationship with profitability. Thus, the researcher recommended to checking on its inventories by monitoring the management and for account receivable to review on their collecting process and policy to ensure efficient in their collecting of debt.

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